CALIFORNIA INFRASTRUCTURE AND ECONOMIC DEVELOPMENT BANK (I-Bank)
501(c)(3) REVENUE BOND FINANCING PROGRAM

STAFF REPORT

EXECUTIVE SUMMARY

Applicant:	San Francisco Ballet Association (Borrower or Ballet)	**Amount Requested:**	Not to exceed $30,000,000
Applicant Description:	The Ballet is a privately endowed, nonprofit public benefit corporation that trains and houses dancers that perform a variety of contemporary and classical ballets.	**Type of Issue:**	Refunding & Amendment
		Resolution Numbers:	10-35 & 10-36
		Board Meeting:	December 14, 2010
Project Site:	Multiple locations in San Francisco, CA (see Background and History)	**Prepared by:**	Derrick Moore

Project Description:	The project (Project) involves retiring up to $30 million of the outstanding $44,900,000 California Infrastructure and Economic Development Bank Variable Rate Revenue Bonds, Series 2008 (San Francisco Ballet Association) (2008 Bonds). The 2008 Bonds were the latest in a series of debt restructuring financings for the Ballet which began in 2002. The projects financed with the proceeds of the 2008 Bonds and prior I-Bank bonds were: the acquisition, construction, rehabilitation, development, furnishing and/or equipping of (1) the Borrower's administration building; (2) sets and costumes used in connection with certain ballet productions performed by the San Francisco Ballet company; (3) warehouse space; (4) certain computer hardware upgrades; and (5) the War Memorial Opera House used by the Borrower, all of which are located in the City and County of San Francisco, California.
Uses of Bond Proceeds:	Bond proceeds from the issuance of the California Infrastructure and Economic Development Bank Variable Rate Demand Revenue Bonds, Series 2010 (San Francisco Ballet Association) (2010 Bonds) will be used to pay the costs of Project and costs of issuance.
Public Benefits:	The Project will mitigate interest rate risk associated with the recent credit rating downgrade of the current security provider for the 2008 Bonds, Allied Irish Banks, p.l.c., and allow the Ballet to better budget and plan and to continue to provide the same level of additional cultural activities.

Financing Structure 2010 Bonds:	
Type of Issue:	Privately placed bank qualified securities in authorized denominations of $500,000, unless the 2010 Bonds receive a rating and are subsequently publicly reissued, in which case the authorized denominations will be $100,000 or any integral multiple of $5,000 in excess thereof.
Tax Status:	Tax-exempt 501(c)(3) Bonds.
Term:	28 Years.
Credit Enhancement:	None.
Credit Rating:	None, private placement with a qualified institutional buyer exception is applicable.

Est. Sources of Funds:		**Est. Uses of Funds:**	
Par amount of Series A	$25,000,000	Refund Portion of 2008 Bonds	$29,400,000
Par amount of Series B	5,000,000	Transferred Project Funds	936,780
2006 Project Funds	936,780	Cost of Issuance	600,0000
TOTAL SOURCES	**$30,936,780**	**TOTAL USES**	**$30,936,780**

Financing Team - 2010 Bonds:	
Issuer's Special Counsel:	Hawkins, Delafield & Wood LLP
Bond Counsel:	Orrick, Herrington & Sutcliffe LLP
Direct Purchase Bank:	First Republic Bank
Trustee:	The Bank of New York Mellon Trust Company, N.A.

Amendment:	Simultaneously with the issuance of the 2010 Bonds, the Borrower is requesting amendments to the indenture and loan Agreement that will remain in place in relation to that portion of the 2008 Bonds ($15.5 mil) that will not be retired as a result of the application of the proceeds of the 2010 Bonds (Outstanding 2008 Bonds), and the execution of a related

	tax agreement. These amendments and a new tax agreement are necessary in order to provide for an alternate credit facility for the Outstanding 2008 Bonds.
Financing Team - Amendment:	
Issuer's Special Counsel:	Hawkins, Delafield & Wood LLP
Bond Counsel:	Orrick, Herrington & Sutcliffe LLP
Trustee:	The Bank of New York Mellon Trust Company, N.A.
Credit Enhancment:	Direct-pay letter of credit from First Republic Bank supported by a standby letter of credit issued by the Federal Home Loan Bank.

Staff Recommendation:

Staff recommends approval of:

- Resolution 10-35 for the issuance of the 2010 Bonds in an amount not to exceed $30,000,000 for the San Francisco Ballet Association and
- Resolution 10-36 authorizing the execution of amendments to the indenture and loan agreement for the Outstanding 2008 Bonds in relation to the substitution of the security for, and the addition of a monthly interest rate mode to, which will effect the tax-reissuance of the Outstanding 2008 Bonds.

REQUESTED ACTIONS

The Ballet is requesting two independent, but related, actions described separately in this report. The first action is a request for the I-Bank to issue bonds to effect the retirement of up to $30 million of the outstanding $44.9 million 2008 Bonds with private placement bank qualified bonds. The second request is to approve amendments to bond documents for the remaining Outstanding 2008 Bonds and the approval of a new tax agreement in relation to the borrower's substitution of the credit facility. The Ballet chose this financing structure to take advantage of the increase in the small issuer limitation for bank qualified bonds. The American Recovery and Reinvestment Act (ARRA) of 2009 allows financial institutions to purchase up to $30 million in municipal debt (up from previous limit of $10 mil) for bonds issued in 2009 and 2010. Also, the Ballet felt it necessary to keep a portion of the 2008 Bonds as variable rate due to an existing swap agreement that would be economically infeasible to terminate considering current market conditions. Since these transactions are interrelated they are being presented together in this one staff report.

BACKGROUND AND HISTORY

The Ballet, founded in 1933 as America's first professional ballet company, is a privately-endowed, California nonprofit public benefit entity organized for the advancement of the art of ballet, the training of dancers and the development of the cultural appreciation of ballet. The Ballet is one of the three largest ballet companies in the United States, with a current roster of seventy-four dancers and over one hundred performances annually, both locally and internationally. In addition to its performance seasons in the fall and winter, which include performances of *Nutcracker* and productions of contemporary and classical ballets, the Ballet tours in the United States and abroad and operates one of the largest profession ballet schools in the western United States.

Based in San Francisco, the Ballet stages the productions of its repertory season at the San Francisco War Memorial Opera House, which is part of San Francisco's War Memorial and Performing Arts Center that also includes the Louise B. Davies Symphony Hall and the Herbst Theatre. The Ballet's modern rehearsal studios for both the resident ballet company and the Ballet school students, along with its administrative headquarters are located in a building adjacent to the Opera House.

The Ballet's current corporate officers and Board Members are listed in Appendix A.

The Ballet's endowment funds are held and managed by the San Francisco Ballet Endowment Foundation, a California nonprofit public benefit corporation ("Foundation"). The Foundation will be a guarantor of the 2010 Bonds. The Foundation is legally separate from the Ballet and is exempt from federal income taxation pursuant to section 501(c)(3) of the Internal Revenue Code.

<u>Location of Ballet Facilities:</u>
455 Franklin Street – The Ballet Building (administrative and rehearsal studio)
2400 Cesar Chavez – The Ballet Warehouse
301 Van Ness Ave – War Memorial Opera House
3016 Jackson Street – Student Residence
1182 Market – Additional Ballet office spease (leased)

Prior I-Bank Bonds

On July 3 2002, the I-Bank issued the California Infrastructure and Economic Development Bank Variable Rate Demand Revenue Bonds, Series 2002 (San Francisco Ballet Association Project) in the amount of $19,540,000 (2002 Bonds). The 2002 Bonds were used to finance the costs of renovating, upgrading and repairing the Ballet's administration and rehearsal building, construction of an annex to a building on land owned by the Ballet, and construction of of two full length ballet sets including hard and soft costs, properties and costumes. The 2002 Bonds were secured by a direct-pay letter of credit issued by Allied Irish Banks, p.l.c.

On August 2, 2006, the I-Bank approved Resolution 06-58 authorizing the refunding of the 2002 Bonds through the issuance of the California Infrastructure and Economic Development Bank Variable Rate Revenue Bonds, Series 2006 (San Francisco Ballet Association) (2006 Bonds) in the amount of $44,000,000. In addition to refunding the prior 2002 Bonds, the 2006 Bonds included new bond proceeds to finance the acquisition, construction, renovation, and equipping of the Ballet's warehouse space, student living facilities, administration and rehearsal building, improvements to the War Memorial Opera House, certain ballet production costs, computer hardware upgrades, and pay capitalized interest and costs of issuance. The prinicipal and interest of the bonds were guaranteed under a insurance policy provided by Financial Guaranty Insurance Corporation (FGIC). JPMorgan Chase provided liquidity for the purchase of bonds delivered for optional or mandatory tender via a standby bond purchase agreement.

On August 1, 2008, the I-Bank approved Resolution 08-13 authorizing the issuance of the California Infrastructure and Economic Development Bank Variable Rate Revenue Bonds, Series 2008 (San Francisco Ballet Association) (2008 Bonds) in the amount of $44,900,000. The proceeds from the 2008 Bonds were used to refinance a loan from First Republic Bank to the Ballet, the loan proceeds of which were used to purchase the 2006 Bonds that were tendered for purchase after the standby bond purchase agreement provided in relation to the 2006 Bonds was terminated (this mechanism for retiring the 2006 Bonds was referred to as an "in substance" refunding). The 2008 Bonds were secured by a direct-pay letter of credit issued by Allied Irish Banks, p.l.c.

The Staff Report dated May 16, 2008, and a copy of Resolution 08-13 are attached for a more complete description of the transaction and financing structure (see Appendix B).

2010 BONDS PROJECT DESCRIPTION

The Project involves effecting the retirement of up to $30 million of the outstanding $44,900,000 2008 Bonds. The 2008 Bonds are credit enhanced by a direct-pay letter of credit from Allied Irish Banks, p.l.c. (AIB). AIB's credit rating has been downgraded causing an increase in the current interest rate costs of the 2008 Bonds for the Ballet. Further, the AIB letter of credit expires July 2011, which will require the Ballet to either repay the 2008 Bonds in their entirety or obtain an alternate credit facility with an appropriate credit rating. The proposed transaction will be similar to the "in substance" refunding of the 2006 Bonds in that the proceeds of the 2010 bonds will be used to reimburse a draw on the AIB letter of credit, which will be used to redeemed a portion of the 2008 Bonds. The retirement of a large portion of the 2008 Bonds with bonds held by First Republic Bank, a qualified institutional investor, will benefit the Ballet by eliminating the future uncertainty related to the requirement to replace the AIB credit enhancement and the potential obligation to reimburse the draw on the AIB letter of credit used to purchase the 2008 Bonds over time, at the AIB bank rate if the Ballet is unsuccessful in replacing the AIB letter of credit in 2011.

2010 BONDS FINANCING STRUCTURE

The Borrower is requesting approval for the issuance of 2010 Bonds in an amount not to exceed $30,000,000. The 2010 Bonds will be issued pursuant to an indenture between the I-Bank and The Bank of New York Mellon Trust Company, N.A., as Trustee, (2010 Indenture) and a loan agreement between the I-Bank and the Borrower (2010 Loan Agreement).

The 2010 Bonds will initially be issued as bank qualified bonds privately placed with First Republic Bank (Purchaser), a Qualified Institutional Buyer as defined in Section 144(A) promulgated under the Securities Act of 1933, as amended (Qualified Institutional Buyer or QIB). The 2010 Bonds will be guaranteed by the San Francisco Ballet Endowment Foundation and will have a 28 year maturity. The Purchaser's ability to sell or otherwise transfer the 2010 Bonds is limited to QIBs as described herein.

Pending approval from First Republic Bank the 2010 Bonds will be issued in two series, one series issued for $25 million bearing a fixed rate of interest at 4.45% and one series issued for $5 million bearing a variable rate of interest of 1 month LIBOR plus 1.30%. The 2010 Indenture will give the Borrower the option of converting the variable rate series of 2010 Bonds to bear interest at a fixed rate within the first four years of issuance.

Private Placement

In accordance with the I-Bank's adopted Policies and Procedures for Conduit Revenue Bond Financing for Economic Development Facilities (Policies), the I-Bank's general policy is to issue bonds bearing certain minimum ratings. The Policies provide that the Board may waive the requirement for a credit rating where the bonds are sold using a private placement or limited underwriting offering structure subject to the following additional conditions:

1. **Sophisticated Investor**. The investor(s) will be required to sign a "sophisticated investor" letter acceptable to the Infrastructure Bank. Each investor must be a qualified institutional buyer within the meaning of S.E.C. Rule 144A, or an equivalent sophisticated investor with a demonstrated understanding of the risks associated with the municipal market, acceptable to the Infrastructure Bank.
2. **Resale Limitations**. Depending on the circumstances of the proposed sale, the Infrastructure Bank may require conditions for the resale of the 2010 Bonds after initial issuance.
3. **Minimum Denomination**. The Infrastructure Bank will require a minimum bond denomination of at least $100,000 on private placements or limited underwritten offerings; denominations may be higher depending on the circumstances of the sale.

The proposed 2010 Bonds will not be rated, which requires the Board to waive the Policies' credit rating requirement and impose certain conditions on the financing. For this reason, the proposed financing structure of the 2010 Bonds is a private placement. Specifically, pursuant to the terms of the financing documents for the 2010 Bonds, the Purchaser will certify in the bond purchase agreement, among other things, that: (i) it is a Qualified Institutional Buyer; (ii) it has sufficient knowledge and experience in financial and business matters, including purchase and ownership of municipal and other tax-exempt obligations, to be able to evaluate the risks and merits of the investment represented by the 2010 Bonds and that it is able to bear the economic risks of such investment; and, (iii) unless the 2010 Bonds are subsequently rated by a rating agency at a rating which meets the I-Bank's minimum rating standards, the Purchaser will prohibit the transfer of the 2010 Bonds, except to another QIB signing a sophisticated investor letter, and only in denominations of $500,000 or greater. The Purchaser will also certify that it understands there is no liability on the part of the I-Bank or the State to make any payment on the 2010 Bonds other than the I-Bank's limited obligation to make payments from revenues received from the Borrower.

In no event shall the 2010 Bonds constitute a pledge of the faith and credit of the State or any political corporation, subdivision or agency of the State, and neither the State nor any political corporation, subdivision or agency of the State shall be liable to make any appropriation for the repayment of the 2010 Bonds. The 2010 Bonds constitute a special obligation of the I-Bank, payable solely from revenues consisting primarily of repayments of the loan provided for in the 2010 Loan Agreement.

2010 BONDS PUBLIC BENEFITS

Refinancing $25 million of the 2008 Bonds to a fixed rate of 4.45% will eliminate interest rate volatility resulting from the recent credit rating downgrade of AIB, which will allow the Ballet to better budget and plan and continue to provide the same level or additional cultural activities. Refinancing the remaining $5 million of the 2008 Bonds to 1 month LIBOR plus 1.30% would eliminate the majority of the market premium of approximately 3.20% over 1 month LIBOR that the Ballet currently pays, due to the rating downgrade of AIB. Also, refunding will also eliminate the risk in finding an alternate letter of credit when the AIB letter of credit terminates in July, 2011.

This financing will also allow the Borrower to take advantage of a provision (due to expire December 31, 2010) of the federal American Recovery and Reinvestment Act (ARRA) permitting banks to purchase certain tax-exempt bonds issued.

OTHER PROJECT DATA

PERMITS AND APPROVAL	
Required?	☒ **NO** ☐ **YES, Describe:**.
TEFRA	
Date of TEFRA	None required
Publications	N/A
Oral/Written Comments Received	☐ **NO** ☐ **YES, Explain:** N/A
LEGAL QUESTIONNAIRE	
Completed?	☐ **NO** ☒ **YES**
Issues?	☒ **NO** ☐ **YES, Explain:**
ELIGIBILITY REVIEW	
Borrower meets all of the I-Bank eligibility criteria? ☒ **YES** ☐ **NO**	1. Project is in the State of California. 2. Borrower is capable of meeting its obligations incurred under the proposed loan agreement, and, in particular as to its loan prepayment obligations which secure the 2010 Bonds, as a result of having met the requirements of the Purchaser for a direct purchase of the 2010 Bonds. 3. Payments to be made by the Borrower to the I-Bank under the proposed 2010 Loan Agreement are adequate to pay the current expenses of the I-Bank in connection with the financing and to make all the scheduled payments on the 2010 Bonds. 4. The proposed financing is appropriate for the Project. 5. The Borrower has represented that the facilities are consistent with any existing local or regional comprehensive plans.
The Project meets the Policies and Procedures for Conduit Revenue Bond Financing for Economic Development Facilities established as guidelines for I-Bank Staff by the Board: ☒ **YES**[1] ☐ **NO**	
INDUCEMENT CERTIFICATE	
Completed?	☐ **NO** ☐ **YES** ☒ **N/A** Certificate No.: Date:

[1] As noted elsewhere in this report, the 2010 Bonds are not rated as required by the Policies, but do meet the requirements for a waiver of that requirement as a result of private placement with a Qualified Institutional Buyer.

2008 BOND DOCUMENT AMENDMENTS

ISSUE: The Ballet requests amendments to certain documents relating to the California Infrastructure and Economic Development Bank Variable Rate Revenue Bonds, Series 2008 (San Francisco Ballet Association) (2008 Bonds). The purpose of the proposed amendments is to permit the Ballet to substitute the current letter of credit with an alternate credit facility consisting of both a direct pay letter of credit supported by standby letter of credit. This substitute credit facility will apply to that portion of the 2008 Bonds that are not retired through the issuance of the 2010 Bonds (Outstanding 2008 Bonds). The amendments will clarify certain provisions of the 2008 Bonds indenture and loan agreement and add a new monthly interest rate mode to the orginal indenture.

NEED FOR AMENDMENT: As a result of the recent downgrade of the credit rating of AIB, the Ballet has elected to effect the retirement of up to $30,000,000 of the 2008 Bonds (2010 Bonds), and as to the $15.5 million of the Outstanding 2008 Bonds, replace the AIB letter of credit with an alternate credit facility consisting of a letter of credit provided by First Republic Bank (New LOC) supported by a standby letter of credit from the Federal Home Loan Bank of San Francisco (Standby LOC). The Ballet has also requested to add a monthly interest rate period to the Outstanding 2008 Bonds. Amendments to the original indenture, loan agreement and the execution of a related tax agreement are necessary to permit this substitution of credit facility, clarify certain provisions of the original indenture and loan agreement, and to add an monthly interest rate mode to the Outstanding 2008 Bonds.

As a condition to issuing its Standby LOC, the Federal Home Loan Bank of San Francisco is requiring a technical tax reissuance of the Outstanding 2008 Bonds. It is the addition of the monthly interest rate mode that triggers the tax reissuance. The amendments to the indenture and the bonds to add the monthly interest rate mode do not require bondholder consent if they take effect on a mandatory tender date. Standard & Poor's and Moody's are expected to assign the Outstanding 2008 Bonds a credit rating of AAA/A-1+ and Aaa/VMIG1, respectively, based on the rating of the Federal Home Loan Bank of San Francisco.

This tax re-issuance will allow the Borrower to take advantage of a provision (due to expire December 31, 2010) of the federal economic stimulus permitting Federal Home Loan Banks to issue standby letters of credit in support conduit revenue bonds.

RECOMMENDATION

Staff Recommendation:
Staff recommends approval of:

- Resolution 10-35 for the issuance of the 2010 Bonds in an amount not to exceed $30,000,000 for the San Francisco Ballet Association and
- Resolution 10-36 authorizing the execution of amendments to the indenture and loan agreement for the Outstanding 2008 Bonds in relation to the substitution of the security for, and the addition of a monthly interest rate mode to, which will effect the tax-reissuance of the Outstanding 2008 Bonds.

APPENDIX A – CORPORATE STAFF AND BOARD MEMBERS

Corporate Staff

Helgi Tomasson, Artistic Director & Choreographer
Glenn McCoy, Executive Director
Kimberly Carim, Chief Financial Officer
Debra Bernard, General Manager
Thomas W. Flynn, Director of Development
Julie A. Begley, Director of Marketing and Communications

Board Members

Richard C. Barker, Chair of the Board and Executive Committee
Chris Hellman, Chair Emeritus
John S. Osterweis, Chair-Designate
James H. Herbert, II, Immediate Past Chair
J. Stuart Francis, Vice Chair and Treasurer
Margaret G. Gill, Vice Chair
Lucy Jewett, Vice Chair
James D. Marver, Vice Chair
Carl F. Pascarella, Vice Chair
Robert M. Smelick, Vice Chair
Diane B. Wilsey, Vice Chair
Jennifer J. McCall, Secretary
Susan S. Briggs, Assistant Secretary
Helgi Tomasson, Artistic Director and Principal Choreographer
Glenn McCoy, Executive Director

APPENDIX B – MAY 20, 2008 STAFF REPORT AND RESOLUTION 08-13

CALIFORNIA INFRASTRUCTURE AND ECONOMIC DEVELOPMENT BANK (I-Bank) 501(c)(3) REVENUE BOND FINANCING PROGRAM

STAFF REPORT

EXECUTIVE SUMMARY			
Applicant:	San Francisco Ballet Association (Ballet)	**Amount Requested:**	Not to exceed $50,000,000
Applicant Description:	The Ballet is a nonprofit, privately endowed cultural organization that trains and houses dancers that perform a variety of contemporary and classical ballets in its San Francisco facilities and also conducts performances worldwide.	**Date of Board Meeting:**	May 20, 2008
		Resolution Number:	08-13
		Type of Bonds:	Refunding
Project Site:	455 Franklin Street; 2400 Caesar Chavez Avenue; 3016 Jackson Street; and 301 Van Ness Avenue in San Francisco, California	**Prepared by:**	Andrea Kennedy
Project Description:	Bond proceeds (2008 Bonds) will be used to refund the insured I-Bank Variable Rate Revenue Bonds, Series 2006 (2006 Bonds), and finance cost of construction of the 2006 Project (defined below). The ratings for the insurer for the 2006 Bonds, FGIC, were downgraded, causing significant increases in the daily variable interest rates on the 2006 Bonds. Approximately $7 million in 2006 Project funds and $1 million in 2006 Bonds capitalized interest funds will be refinanced with the 2008 Bonds. The 2006 Bonds refunded the I-Bank Variable Rate Demand Revenue Bonds, Series 2002 (2002 Bonds); and additionally financed the costs of the acquisition, construction, furnishing and/or equipping of the Ballet's remainder of the administrative building, additional ballets, student living facilities, warehouse space, certain computer hardware upgrades, and improvements to the War Memorial Opera House (2006 Project); and paid capitalized interest on the 2006 Bonds. The 2002 Bonds were used to finance the construction and renovation of the Ballet's administrative headquarters and the costs of two full-length ballets.		
Uses of Bond Proceeds:	The 2008 Bonds will be used to refund the 2006 Bonds and pay capitalized interest and pay costs of issuance.		
Public Benefits:	The Ballet is a public institution organized for the advancement of the art of ballet, the training of dancers and the development of the cultural appreciation of ballet.		

Financing Structure:

Type of Issue:	Publicly-offered variable-rate demand revenue bonds issued in minimum denominations of $100,000 or any integral multiple of $5,000 in excess thereof.
Tax Status:	Tax-exempt 501(c)(3) bonds.
Term:	30 years.
Credit Enhancement:	Direct-pay letter of credit from Allied Irish Bank, p.l.c (AIB).
Credit Rating:	The Bonds are expected to be rated "A+/A-1" by Standard & Poor's and "Aa2/P-1" from Moody's Investors Service based upon the credit rating of (AIB). The underlying credit rating by Standard & Poor's is expected to be "A."

Total Est. Sources of Funds:		**Total Est. Uses of Funds:**	
2008 Bond Proceeds	$50,000,000	Refund 2006 Bonds	$44,000,000
		Capitalized Interest/Costs of Issuance	6,000,000
TOTAL SOURCES	**$50,000,000**	**TOTAL USES**	**$50,000,000**

Financing Team:

Bond Counsel:	Orrick, Herrington & Sutcliffe LLP
Underwriter:	J. P. Morgan Securities, Inc.
Underwriter 's Counsel:	Hawkins, Delafield & Wood LLP
Trustee:	The Bank of New York Trust Company

Staff Recommendation:
Staff recommends approval of Resolution 08-13 for an amount not to exceed $50,000,000 for the San Francisco Ballet Association.

ISSUE

The San Francisco Ballet Association (Ballet) requests to refund the insured California Infrastructure and Economic Development Bank Variable Rate Revenue Bonds, Series 2006 (2006 Bonds), outstanding in the amount of $44 million, and issue new variable rate demand bonds for an amount not to exceed $50 million (2008 Bonds).

Due to recent events in the sub-prime mortgage market, the credit rating of Financial Guaranty Insurance Company (FGIC), the bond insurer of the 2006 Bonds, was downgraded by Standard and Poor's (S&P) to BB in March 2008 (only S&P rated the 2006 Bonds). This downgrade has caused the daily variable interest rates on the 2006 Bonds to significantly increase resulting in substantially higher borrowing costs for the Ballet. The daily interest rate as of April 28, 2008 was 8%, and was 6.75% in early May.

DISCUSSION

On July 3, 2002, the I-Bank issued the California Infrastructure and Economic Development Bank Variable Rate Demand Revenue Bonds, Series 2002 (2002 Bonds) to finance the construction and renovation of the Ballet's administrative headquarters and the costs of two full-length ballets (2002 Project).

On August 2, 2006, the I-Bank issued the 2006 Bonds that refunded the 2002 Bonds. The 2006 Bonds also included new bond proceeds which were used to finance and refinance a portion of the costs of the acquisition, construction, furnishing and/or equipping of the Ballet's administrative building, certain ballets, student living facilities, warehouse space, certain computer hardware upgrades, and improvements to the War Memorial Opera House; to pay capitalized interest on the 2006 Bonds; and to pay costs of issuance (2006 Project). (See Appendix A – previous Staff Report dated 7/25/06 for a complete description of the 2006 Project and the 2006 Bonds.) Approximately $7 million in 2006 Project funds and $1 million in 2006 Bonds capitalized interest funds remain unspent.

The variable rate 2006 Bonds are backed by bond insurance. As explained above, the credit rating of Financial Guaranty Insurance Company (FGIC), the bond insurer of the 2006 Bonds, was downgraded by Standard and Poor's (S&P) to BB in March 2008 (only S&P rated the 2006 Bonds). This downgrade has caused the daily variable interest rates on the 2006 Bonds to significantly increase resulting in substantially higher borrowing costs for the Ballet. The daily interest rate as of April 28, 2008 was 8%, and was 6.75% in early May.

Due to the volatility and uncertainties of the bond market related to FGIC and due to the increasing costs of the 2006 Bonds, the Ballet is now requesting approval for the issuance and sale of bonds (2008 Bonds) as tax-exempt 501(c)(3) variable rate demand bonds backed by a letter of credit in an amount not to exceed $50,000,000. The 2008 Bond proceeds will be used to: refund the 2006 Bonds pay for capitalized interest, and pay costs of issuance. Payment of principal and interest on the 2008 Bonds will be supported by a direct-pay letter of credit (LOC) from Allied Irish Bank, p.l.c. (AIB). The 2008 Bonds are expected to carry a rating of at least "A+/A-1" from S&P and "Aa2/P-1" from Moody's based upon the long-term credit rating of AIB. The underlying credit rating by Standard & Poor's is expected to be "A".

A Tax Equity and Fiscal Responsibility Act (TEFRA) hearing is required due to the fact that the requested amount of the 2008 Bonds is greater than the current outstanding amount of the 2006 Bonds and the expected maturity is two years longer than the remaining maturity of the 2006 Bonds. A TEFRA was held on May 19, 2008, following public notices published in the *Sacramento Bee* and the *San Francisco Examiner*. No written or oral comments were received prior to, during or following the hearing, and staff is not aware of any negative aspects or opposition to the proposed financing.

The Ballet's Board of Directors has not changed from those listed in the 2006 Bonds Staff Report attached as Appendix A.

In no event shall the 2008 Bonds constitute a pledge of the faith and credit of the State or any political corporation, subdivision or agency of the State, and neither the State nor any political corporation, subdivision or agency of the State shall be liable to make any appropriation for the repayment of the 2008 Bonds. The 2008 Bonds shall constitute a special obligation of the I-Bank, payable solely from revenues or other sources provided for in a loan agreement between the I-Bank and the Ballet.

PUBLIC BENEFITS

The Ballet continues to provide the public benefits identified in the 2006 Staff Report.

The purpose of refunding the 2006 Bonds from variable rate bonds insured by FGIC to variable rate bonds secured by a direct-pay LOC from AIB is to lower the cost of financing for the Ballet and to mitigate the impact of the bond insurance on the Ballet's variable interest rates.

RECOMMENDATION

Staff recommends adoption of Resolution 08-13, for an amount not to exceed $50,000,000 for the San Francisco Ballet Association.

APPENDIX A

Staff Report from the July 25, 2006 Board Meeting

CALIFORNIA INFRASTRUCTURE AND ECONOMIC DEVELOPMENT BANK (I-BANK)
CONDUIT REVENUE BOND FINANCING PROGRAM

STAFF REPORT

EXECUTIVE SUMMARY			
Borrower:	The San Francisco Ballet Association (Ballet or Borrower)	**Amount Requested:**	Not to exceed $44,000,000
		Type of Resolution:	Final
Borrower Description:	The Ballet is a nonprofit, privately endowed cultural organization that trains and houses dancers that perform a variety of contemporary and classical ballets in its San Francisco facilities, and also conducts performances worldwide.	**Date of Board Meeting:**	July 25, 2006
		Resolution No.:	06-28
		Prepared By:	Tara Dunn
Project Sites:	455 Franklin Street; 2400 Caesar Chavez Avenue; 3016 Jackson Street; and 301 Van Ness Avenue in San Francisco, California		
Uses of Bond Proceeds:	Bond proceeds will be used to: refund the Ballet's 2002 bonds; finance the renovation and equipping of an administration and rehearsal building; pay the costs of developing new ballet productions; fund the acquisition and improvement of a warehouse and a student living facility; finance the renovation and equipping of the War Memorial Opera House; and, finance related capital improvements (collectively, the Project).		
Public Benefits:	The Ballet is a public institution organized for the advancement of the art of ballet, the training of dancers and the development of the cultural appreciation of ballet.		

Financing Structure:

Type of Issue:	Publicly-offered variable rate demand revenue bonds with minimum denominations of $100,000 and any integral multiples of $5,000 in excess thereof.
Tax Status:	Tax-exempt 501(c)(3) bonds.
Term:	30 years.
Credit Enhancement:	Bond Insurance provided by Financial Guaranty Insurance Company (FGIC).
Expected Credit Rating:	The bonds are expected to be rated "AAA" by Standard & Poor's and Fitch Ratings, and "Aaa" by Moody's Investors Service, Inc., based upon FGIC's rating.

Est. Sources of Funds:		**Est. Uses of Funds:**	
Bond Proceeds	$44,000,000	**Project Fund**	$19,961,303
		Working Capital	959,003
		Refunding Escrow	19,465,923
		Capitalized Interest	2,342,433
		Costs of Issuance	1,271,338
TOTAL SOURCES	**$44,000,000**	**TOTAL USES**	**$44,000,000**

Financing Team:

Bond Counsel:	Orrick, Herrington and Sutcliffe
Underwriter/Remarketing Agent:	J.P. Morgan Securities Inc.
Underwriter Counsel:	Hawkins, Delafield & Wood LLP
Borrower Counsel:	Pillsbury Winthrop Shaw Pittman LLP
Trustee:	The Bank of New York Trust Company, N.A.

Staff Recommendation:
Staff recommends approval of Resolution 06-28 for an amount not to exceed $44,000,000 for the San Francisco Ballet Association.

BORROWER DESCRIPTION AND HISTORY

The San Francisco Ballet Association, founded in 1933 as America's first professional ballet company, is a privately-endowed, nonprofit entity organized for the advancement of the art of ballet, the training of dancers and the development of the cultural appreciation of ballet. The Ballet is considered to be one of the top five ballet companies in the world and presents approximately one hundred performances annually, both locally and internationally. In addition to its performance seasons in the fall and winter, which include performances of Nutcracker and productions of contemporary and classical ballets, the Ballet tours in the United States and abroad and operates one of the largest professional ballet school (Ballet School) in the western United States.

Based in San Francisco, the Ballet stages the productions of its repertory season at the San Francisco War Memorial Opera House (Opera House), which is part of San Francisco's War Memorial and Performing Arts Center that also includes the Louise B. Davies Symphony Hall and the Herbst Theatre. The Ballet's modern rehearsal studios for both the resident ballet company and the Ballet school students, along with its administrative headquarters are located in a building adjacent to the Opera House (Ballet Building). The Ballet Building is owned by the Ballet and was specifically designed to meet the special training requirements of the dancers.

Funding for the land, design and construction and the related administrative and fund-raising costs of the Ballet Building were financed entirely by contributions to the Ballets building fund, which is an indication of strong community support for the Ballet.

The San Francisco Ballet Endowment Foundation (Ballet Foundation) is a California nonprofit public benefit corporation that was established in 1980. The Ballet Foundation is legally separate from the Ballet and a nonprofit public benefit corporation organized for the purpose of holding and managing endowment funds for the benefit of the Ballet. The Ballet Foundation is exempt from Federal income taxation pursuant to section 501(c)(3) of the Code. Its principal office is located at 455 Franklin Street, San Francisco, CA 94102.

The Ballet Foundation does not operate office space or have employees separate from the Ballet. The Ballet Foundation's only contractual obligations are contracts related to the investment of the Ballet's endowment. Assets of the Ballet Foundation are not pledged as security for the repayment of the Bonds.

THE PROJECT

The proceeds of the proposed bonds (2006 Bonds) will be used to:

- (i) refund the Variable Rate Demand Revenue Bonds, Series 2002 (San Francisco Ballet Association Project) (2002 Bonds) issued by the I-Bank,
- (ii) finance and refinance a portion of the costs of the acquisition, construction, furnishing and/or equipping of:
  - (a) the Ballet's administrative building;
  - (b) certain ballets' production costs;
  - (c) student living facilities;
  - (d) warehouse space;
  - (e) certain computer hardware upgrades; and,
  - (f) improvements to the Opera House (collectively, the Project),

(iii)pay capitalized interest on the Bonds, and,
(iv)pay issuance costs of the 2006 Bonds.

Refunding of the Series 2002 Bonds

The Ballet intends to use a portion of the proceeds of the 2006 Bonds to redeem the Ballet's 2002 Bonds in full, and to replace the letter of credit provided by Allied Irish Bank with bond insurance. The Ballet's 2002 Bonds were issued in a variable rate mode with an original par of $19.54 million. The 2002 Bonds financed: (a) the costs of renovating, upgrading and repairing the Ballet Building, along with the construction of an annex to the Ballet Building on land owned by the Ballet; (b) the costs of funding capital items for two full-length ballets; (c) certain costs of issuance of the 2002 Bonds; and (d) capitalized interest in connection with the 2002 Bonds.

Warehouse -- 2400 Cesar Chavez

The Ballet currently maintains workshop and storage space for sets and costumes at scattered sites throughout San Francisco. The Ballet intends to enter into a lease for this Warehouse at 2400 Cesar Chavez in San Francisco to enable the Ballet to consolidate its scattered site storage and workshop facilities into a single location. The lease is currently being negotiated with its owners, but it is anticipated the lease will include an option for the Ballet to purchase the Warehouse within the next two to three years. The Ballet intends to use a portion of the proceeds to pay the costs of acquiring and renovating the Warehouse. Additional proceeds will be used to pay costs related to the Ballet's move to the Warehouse.

Ballet Student Residence -- 3016 Jackson Street

The Ballet Student Residence provides housing to select summer and year-round students. Because of the costs of San Francisco housing, the Ballet Student Residence is integral to the Ballet School's ability to attract the most talented ballet students. The Ballet intends to use a portion of the proceeds to finance the acquisition of the Ballet Student Residence. The Ballet has entered into an agreement with the current owners of the Ballet Student Residence to purchase the Ballet Student Residence for approximately $3,500,000.

Ballet Building -- 445 Franklin Street

The four-story Ballet Building, located adjacent to the Opera House, offers approximately 17,000 square feet of modern rehearsal accommodations for both the resident ensemble company and the students attending the Ballet School. The Ballet intends to use a portion of the proceeds of the 2006 Bonds to pay costs associated with the renovation of this building.

War Memorial Opera House -- 401 Van Ness Avenue

The Opera House was designed by Arthur Brown Jr., architect of Coit Tower and City Hall. The Opera House opened its doors to audiences for the first time on October 15, 1932. Seismically retrofit after the 1989 Loma Prieta earthquake, the Opera House offers state-of-the-art equipment, a refurbished beaux-arts interior, 3,200 newly re-upholstered velvet seats, expanded access for people with disabilities, and numerous refreshment bars for the intermission crowds.

The Ballet intends to use a portion of the proceeds of the 2006 Bonds to pay for the replacement of rigging in the Opera House.

Ballet Production Costs

The Ballet intends to use a portion of the proceeds to pay the costs incurred in connection with the design and production of sets and costumes for *Nutcracker*, *Firebird*, and to pay costs associated with the production of new ballets to celebrate the Ballet's 75th Anniversary.

PUBLIC BENEFITS

The mission of the Ballet is to provide the Bay Area with ballet dance performances of the highest quality and instruction that motivates its students to be passionate about self-expression. The Ballet seeks to enhance its position as one of the world's finest dance companies through its vitality, innovation, and diversity and through its uncompromising commitment to artistic excellence based in the classical ballet tradition.

The Ballet continues to provide a number of benefits to Bay Area communities including improvement of artistic quality, expansion of the Ballet's repertory season and increased attendance. Dancers are able to train and rehearse more effectively, and students enjoy a more comprehensive and expanded curriculum utilizing the Ballet Building and Ballet School. Over 300 young dancers take part in 38 weeks of formal training annually at the Ballet.

The Center for Dance Education (CDE) was formed in 2001 to coordinate the Ballet's community outreach and education programs. The CDE operates programs in schools and the community at large, often in coordination with other community-based organizations. Programs range from after-school programs, ten-week residency classes taught in the public schools, scholarship programs and community matinees. Tens of thousands of Bay Area residents and several thousand individuals around the world are able to attend productions created and polished by one of the finest classical dance companies in the world.

GOVERNANCE AND MANAGEMENT

Governance

The Ballet is governed by a Board of Trustees (Ballet Board), which consists of a minimum of 25 and a maximum of 75 trustees elected by the members. The current size of the Ballet Board is 67 trustees. The Ballet Board is authorized to exercise all corporate powers of the Ballet but may delegate the management of the Ballet to any person, management company or committee, subject to ultimate direction by the Ballet Board. Trustees are elected by the members to serve for a term of three years, except that a person who is an employee of the Ballet at the time of his or her election as a Trustee may be elected for a term of one year only.

The Ballet Foundation is governed by its Board of Directors (Foundation Board), which consists of a minimum of 5 and a maximum of 15 directors elected by the members of the Ballet Foundation. Under the Ballet Foundation's By-Laws, its members are all of the trustees currently serving on the Ballet Board. The current size of the Foundation Board is 12 directors. The exact size of the Foundation Board is set by the approval of either the Foundation Board or the Ballet Foundation's members. The Foundation Board is authorized to exercise all corporate powers of the Ballet Foundation but may delegate the management of the Ballet Foundation to any person, management company or committee, subject to ultimate direction by the Foundation Board. Directors are elected by the members to serve for a term of three years. Directors may serve an unlimited number of terms.

Management

The Executive Director of the Ballet Board is the chief executive officer of the Ballet and has general supervision, direction and control of the activities and affairs of the Ballet. The executive staff of the Ballet is responsible to the Chair of the Ballet Board and, through the Chair of the Board, to the Ballet Board of Trustees. Members of the executive staff include: Executive Director, Chief Financial Officer, General Manager, Artistic Director & Choreographer, Director of Development, and Director of Marketing. The management group consists of a diverse and highly-skilled and educated staff. The Ballet respects diverse individuals, cultures and ideas and believes that by welcoming these perspectives they are a stronger, more creative organization that more clearly reflects the world of dance and the community they serve.

Appendix A contains a current listing of the Ballet's Board of Trustees and Management as well as a list of the Ballet Foundation's Board of Directors.

TEFRA HEARING AND LEGAL QUESTIONNAIRE

A Tax Equity and Fiscal Responsibility Act (TEFRA) hearing was held on July 20, 2006, following public notices which were published in the San Francisco Examiner and the Sacramento Bee. No written or oral comments were received prior to, during, or following the hearings, and staff is not aware of any negative aspects or opposition to the proposed financing.

The Ballet has provided a completed and signed legal questionnaire. No information was disclosed in the answers to the legal questionnaire that would lead staff to question the financial viability or legal integrity of this Ballet.

FINANCING TEAM

Bond Counsel:	**Orrick, Herrington & Sutcliffe**
Underwriter/Remarketing Agent:	**J.P. Morgan Securities Inc.**
Underwriter Counsel:	**Hawkins, Delafield & Wood LLP**
Borrower's Counsel:	**Pillsbury Winthrop Shaw Pittman LLP**
Trustee:	**The Bank of New York Trust Company, N.A.**

FINANCING DETAILS

Upon approval of a final resolution by the Board, the I-Bank will issue up to $44,000,000 in tax-exempt, variable rate demand revenue bonds. The 2006 Bonds will be supported by bond insurance from Financial Guaranty Insurance Company (FGIC). It is expected that the 2006 Bonds will be rated "AAA" by Standard and Poor's Ratings Group, "Aaa" by Moody's Investors Service, and "AAA" by Fitch Ratings, based on FGIC's rating.

In addition to bond insurance, the bonds will also be secured by a guaranty provided by the Ballet's Foundation. To the extent that the Trustee does not receive payment of the Bonds from the Ballet, the Ballet Foundation will make such payment in accordance with a guaranty of the Ballet Foundation. A Guaranty Agreement will be entered into for the benefit of the I-Bank and Trustee, under which the Ballet Foundation unconditionally guarantees to the I-Bank and the Trustee payment of the Bonds throughout the term of the loan agreement between the I-Bank and the Ballet (Loan Agreement).

In no event shall the 2006 Bonds constitute a pledge of the faith and credit of the State or any political corporation, subdivision or agency of the State, and neither the State nor any political corporation, subdivision or agency of the State shall be liable to make any appropriation for the repayment of the 2006 Bonds. The 2006 Bonds shall constitute a special obligation of the I-Bank, payable solely from revenues or other sources provided for in a Loan Agreement.

ELIGIBILITY REVIEW

The proposed financing meets the following public interest criteria as required by Section 63046 of the Government Code: 1) The financing is for a project in the State of California; 2) based upon the requirement that bond insurance will secure all payments to bondholders, the Borrower is capable of meeting the obligations incurred under relevant agreements; 3) the payments to be made by the Borrower to the I-Bank under the Loan Agreement are adequate to pay the current expenses of the I-Bank in connection with the financing and to make all the payments on the 2006 Bonds; and 4) the proposed financing is appropriate for the specific Project. Additionally, the Project is consistent with I-Bank's Policies and Procedures for Conduit Revenue Bond Financing.

RECOMMENDATION

Staff recommends approval of Resolution 06-28, for an amount not to exceed, $44,000,000, for the San Francisco Ballet Association.

APPENDIX A

Officers of the Ballet's Board of Trustees

Members of the Ballet's Board of Trustees

Trustees Emeriti

Management of the Ballet

Pamela J. Joyner, *Co-Chair of the Board and Executive Committee*
Glenn McCoy, *Executive Director*
Donald Paterson, *Chief Financial Officer*
Helgi Tomasson, *Artistic Director & Choreographer*
Lesley Koenig, *General Manager*
Thomas W. Flynn, *Director of Development*
Julie A. Begley, *Director of Marketing*

Members of the Ballet Foundation's Board of Directors

John Osterweis, *President*
George W. Rowe, *Vice President*
Thomas E. Horn, *Treasurer*
Patricia A. TeRoller, *Secretary*
Richard C. Barker
Susan S. Briggs
J. Stuart Francis
Chris Hellman
George B. James
James D. Marver
Carole Obley
Robert M. Smelick

RESOLUTION NO. 08-13

RESOLUTION OF THE CALIFORNIA INFRASTRUCTURE AND ECONOMIC DEVELOPMENT BANK RELATING TO THE REFUNDING OF ITS VARIABLE RATE REVENUE BONDS, SERIES 2006 (SAN FRANCISCO BALLET ASSOCIATION PROJECT) FOR THE SAN FRANCISCO BALLET ASSOCIATION, PROVIDING THE TERMS AND CONDITIONS FOR THE ISSUANCE OF BONDS AND OTHER MATTERS RELATING THERETO AND AUTHORIZING THE EXECUTION OF CERTAIN DOCUMENTS

May 20, 2008

WHEREAS, the California Infrastructure and Economic Development Bank (the "Bank") was established pursuant to the Bergeson-Peace Infrastructure and Economic Development Bank Act (California Government Code Section 63000 and following) (as now in effect and as it may from time to time hereafter be amended or supplemented, the "Act"), for the purpose of, among other things, providing financial assistance for the design, construction, financing and development of economic development facilities (as such term is defined in the Act) located in the State of California (the "State"); and

WHEREAS, the Bank has heretofore received the application of San Francisco Ballet Association, a California nonprofit public benefit corporation (the "Borrower"), for financial assistance to provide funds to: (i) refund the Bank's Variable Rate Revenue Bonds, Series 2006 (San Francisco Ballet Association Project) (the "Prior Bonds"), which Prior Bonds were issued to finance and refinance, among other things, (a) the refunding the Prior Bonds and (ii) the acquisition, construction, furnishing and/or equipping of (a) the Borrower's administration building; (b) capital costs associated with certain ballet performances; (c) student living facilities; (d) warehouse space; (e) certain computer hardware upgrades; and (f) improvements to and refurbishing of the War Memorial Opera House used by the Borrower (the "Project"), (ii) to fund capitalized interest with respect to the Bonds and (iii) to pay certain costs of issuance incurred in connection with the issuance and sale of the Bonds; and

WHEREAS, the Borrower requests the Bank to issue variable rate revenue bonds in an amount not to exceed $50,000,000 to assist in the refunding of the Prior Bonds and related costs; and

WHEREAS, in order to enhance the marketability of the bonds, the Borrower has agreed to provide for the delivery of a letter of credit from a bank with long-term ratings in one of the three highest rating categories of Moody's Investors Service, Fitch, Inc. or Standard & Poor's Ratings Services, without regard to numerical or other qualifiers, thereby supporting repayment of the bonds; and

WHEREAS, final approval of the terms of such bonds and certain documents relating to the bonds is now sought;

NOW, THEREFORE, BE IT RESOLVED by the California Infrastructure and Economic Development Bank as follows:

Section 1. The Bank hereby determines as follows:

a. The Project is located in the State.

b. Based upon the requirement that the transaction will be supported by a letter of credit, the Borrower is capable of meeting the obligations incurred under the agreements approved by this resolution.

c. The payments to be made by the Borrower to the Bank under the loan agreement approved herein are adequate to pay the current expenses of the Bank in connection with the financing and to make all the payments on the variable rate revenue bonds approved herein.

d. The proposed financing is appropriate for the refunding of the Prior Bonds.

e. The Project is consistent with any existing local or regional comprehensive plan.

f. The Project demonstrates clear evidence of a defined public benefit.

Section 2. Revenue obligations of the Bank, designated as the "California Infrastructure and Economic Development Bank Variable Rate Revenue Bonds, Series 2008 (San Francisco Ballet Association)" (the "2008 Bonds") in one or more series and in an aggregate principal amount not to exceed $50,000,000 are authorized to be issued pursuant to the Act. The Bank hereby acknowledges that the payment of the principal of and interest on the 2008 Bonds will be supported by a direct-pay letter of credit issued by Allied Irish Banks, p.l.c., New York Branch.

Section 3. The Treasurer of the State of California (the "Treasurer") is hereby authorized and requested to sell the 2008 Bonds, at any time and from time to time within one hundred eighty (180) days of receipt of a certified copy of this resolution, at private sale, in such series and such principal amounts not in excess of a total amount of $50,000,000, at such prices and at such price and at such interest rate or rates as he may determine.

Section 4. The proposed form of Loan Agreement relating to the 2008 Bonds (the "Loan Agreement") between the Bank and the Borrower, on file with the Secretary of the Bank (the "Secretary"), is hereby approved. The Executive Director and the Chair of the Bank, or the Chair's designee, and each of them, acting alone, is hereby authorized and directed for and on behalf and in the name of the Bank to execute, acknowledge and deliver the Loan Agreement to the Borrower in substantially said form, with such insertions and changes therein as the officer or official executing the same, with the advice of the Bank's counsel, may require or approve, such approval to be conclusively evidenced by the execution and delivery thereof.

Section 5. The proposed form of the Indenture relating to the 2008 Bonds (the "Indenture") between the Bank and the trustee named therein (the "Trustee"), on file with the Secretary, is hereby approved. The Executive Director and the Chair of the Bank, or the Chair's designee, and each of them, acting alone, is hereby authorized and directed, for and on behalf and in the name of the Bank, to execute, acknowledge and deliver the Indenture to the Trustee, in substantially the form presented to this meeting, with such insertions and changes therein as the officer or official executing the same, with the advice of the Bank's counsel, may require or approve, such requirement or approval to be conclusively evidenced by the execution and delivery thereof. The series (and respective principal amounts thereof), dates, maturity date or dates, interest rate or rates and payment dates, denominations, forms, place or places of payment, terms of redemption and other terms of the 2008 Bonds shall be as provided in said Indenture, as finally executed.

Section 6. The proposed form of Bond Purchase Agreement (the "Bond Purchase Agreement") among the Treasurer, the Bank and J.P. Morgan Securities Inc. (the "Underwriter"), on file with the Secretary, is hereby approved, and the Executive Director and the Chair of the Bank, or the Chair's designee, and each of them, acting alone, is hereby authorized and directed, for and on behalf and in the name of the Bank, to execute and deliver to the Underwriter and the Treasurer the Bond Purchase Agreement in substantially the form presented to this meeting, with such insertions and changes therein as the officer or official executing the same, with the advice of the Bank's counsel, may require or approve, such requirement or approval to be conclusively evidenced by the execution and delivery thereof.

Section 7. The proposed form of official statement relating to the 2008 Bonds (the "Official Statement"), on file with the Secretary, is hereby approved, and the Executive Director and the Chair of the Bank, or the Chair's designee, and each of them, acting alone, is hereby authorized and directed, for and in the name and on behalf of the Bank, to execute and deliver the Official Statement in substantially the form presented at this meeting, with such insertions and changes therein as the officer or official executing the same, with the advice of the Bank's counsel, may require or approve, such requirement or approval to be conclusively evidenced by the execution and delivery thereof. The Underwriter is hereby authorized to distribute copies of the Official Statement to prospective purchasers and the purchasers of the 2008 Bonds.

Section 8. The Executive Director and the Chair of the Bank, or the Chair's designee, and each of them, acting alone, is hereby authorized and directed, for and in the name and on behalf of the Bank, to execute (by manual or facsimile signature) the 2008 Bonds in an aggregate principal amount not to exceed the amount authorized hereunder in accordance with the Indenture and in the form set forth in the Indenture.

Section 9. The 2008 Bonds, when so executed as provided in Section 8 of this Resolution, shall be delivered to the Trustee for authentication by the Trustee pursuant to the Indenture. The Trustee is hereby requested and directed to authenticate the 2008 Bonds by executing the Trustee's certificate of authentication appearing thereon. The Trustee is hereby requested and directed to deliver the 2008 Bonds, when duly executed and authenticated, to The Depository Trust Company, New York, New York (the "Depository"), on behalf of the purchasers thereof in accordance with written instructions executed on behalf of the Bank by the Executive Director the Chair of the Bank, or the Chair's designee, which instructions each signatory, acting singly, is hereby authorized and directed, for and on behalf and in the name of the Bank, to execute and to deliver to the Trustee. Such instructions shall provide for the delivery of the 2008 Bonds to the Depository, on behalf of the purchasers thereof, upon payment of the purchase price thereof.

Section 10. The officers and officials of the Bank and the Treasurer and their authorized representatives are hereby authorized and directed, acting severally, to do any and all things, and to execute and deliver any and all documents and certificates, including without limitation a tax certificate, letter of representations or similar documents to the bond depository, interest rate swap documentation, including certificates identifying interest rate swaps integrated with any Bonds, any guarantees relating to the 2008 Bonds, or other documents necessary or advisable to refund the Prior Bonds or the financing or refinancing of the Project, and any documents relating to the letter of credit and a guaranty relating to the 2008 Bonds, which in each case they may deem necessary or advisable in order to consummate the issuance, sale and delivery of the 2008 Bonds or otherwise to effectuate the purpose of this resolution.

Section 11. This resolution shall take effect immediately upon its passage.

PASSED, APPROVED, AND ADOPTED at a meeting of the California Infrastructure and Economic Development Bank on May 20, 2008 by the following vote:

AYES:	Matteucci, Sheehan, Lujano, Harvey, Rice
NOES:	None
ABSENT:	None
ABSTAIN:	None

Stanton C Hazelroth

Stanton C. Hazelroth, Executive Director

Attest:

Roma Cristia-Plant

Roma Cristia-Plant, Secretary